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INTRODUCTION

The Office of Internal Audit performed an audit of the Wayne County FIA Harper/Gratiot District for the period October 1, 1997 through February 28, 1998. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Harper/Gratiot District had 77 full time equated positions (FTE's) at the time of our review. Harper/Gratiot District provided assistance to an average 12,448 recipients per month during FY 1997, with total assistance payments of \$25,115,874 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Harper/Gratiot District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Accounts Receivable
Safe & Controlled Documents	IRS Information Security
Medical Transportation	Phone Usage
ENP/SER Payments	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Harper/Gratiot District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with FIA policies and procedures and one weakness in internal controls, which are detailed below.

DISTRICT OFFICE RESPONSE

The Harper/Gratiot District did not respond to our draft report.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following are areas where we found that the Harper/Gratiot District was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Sign-O-Meter Reconciliation

1. Harper/Gratiot District did not reconcile the Sign-O-Meter Record (FIA-4711) with the Check Register, as required by Accounting Manual Item 410.1. This reconciliation is necessary to ensure that no checks go through the check signer that are not accounted for in the accounting records.

WE RECOMMEND that the Harper/Gratiot District reconcile the Sign-O-Meter Record with the Check Register.

Controlled Document Log

2. Harper/Gratiot District did not properly control blank documents. We noted that the District did not prepare the Monthly Controlled Document Inventory and Reconciliation

(FIA-4351) for Food Stamp Participation Cards or Bus Tickets as required by Accounting Manual Item 403. Also, the District's Controlled Documents Logs (FIA-4070) did not agree with the physical count of documents. Preparation of the Monthly Controlled Document Inventory and Reconciliation helps to ensure that loss, theft, or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that the Harper/Gratiot District prepare the Monthly Controlled Document Inventory and Reconciliation for all controlled documents and investigate any discrepancies.

MA-010 Reconciliation

3. Harper/Gratiot District did not reconcile flagged transactions on the Transaction Control Listing (MA-010) to the input documents, as required by the Local Office Reports Description Manual. Reconciliation of the flagged accounts helps to ensure that transactions were properly authorized and correctly entered on the Client Information System (CIS).

WE RECOMMEND that the Harper/Gratiot District reconcile the flagged transactions on the MA-010 to the input documents.

RECOMMENDATION FOR IMPROVED INTERNAL CONTROLS

The following is an area where we have identified a control weakness at Harper/Gratiot District, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

MA-010 Reconciliation - Openings and Reopenings

4. Harper/Gratiot District did not reconcile all new case openings and reopenings listed on the MA-010 Report to the Request and Registration Control Record (FIA-3614), as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. A 100% reconciliation of openings and reopenings provides assurance that cases were opened only by their assigned workers.

WE RECOMMEND that the Harper/Gratiot District reconcile all case openings and reopenings on the MA-010 Report to the FIA-3614's.